



## ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS

Felecia A. Rotellini  
Superintendent of Financial Institutions

Janet Napolitano  
Governor

### **NEWS RELEASE**

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Contact: Eric Boldan  
Assistant to the  
Superintendent  
602-255-4421, ext. 111

### **Arizona Department of Financial Institutions Revokes Escrow Agent's License and Removes Escrow Officer**

The Arizona Department of Financial Institutions ("DFI") Superintendent Felecia Rotellini announced that DFI has revoked the license of an escrow agent involved in several fraudulent loan transactions. The Superintendent has also issued an order prohibiting a former employee and escrow officer from working within the financial services industry.

First Financial Title Agency of Arizona ("First Financial") and its president, Tom Paschen, were fined \$20,000.00 and \$10,000.00, respectively, for knowing violations of the laws regulating escrow agents in Arizona. First Financial's license was revoked because of its violations of statutes regulating escrow agents and because of its unsafe financial condition. In 2002 and 2003, First Financial's former escrow officer, Victoria Cervantes, facilitated a series of fraudulent loan transactions for the benefit of real estate agents, Carmen Cantu and Betty Barbee.

DFI's investigation focused on loan files in which Ms. Cervantes knowingly notarized false documents and signatures, used a family member as a fraudulent buyer in one transaction, caused the unauthorized disbursements of loan proceeds, and facilitated the closing of loans with straw or fraudulent buyers. After a multi-day administrative hearing, Administrative Law Judge Daniel Martin concluded that the evidence of Ms. Cervantes' conduct, as an employee of First Financial, clearly proved that First Financial violated the statutes establishing its fiduciary duties to its customers and its responsibility to ensure proper accounting of escrow funds and to ensure against errors and fraud. Judge Martin also found that First Financial failed to maintain proper internal controls to operate its business in a lawful manner.

In addition to the imposition of a civil money penalty, First Financial was ordered to pay DFI's remaining examination fees of \$23,000.00. DFI's extensive examination of

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First Financial commenced after receiving a complaint from a woman who lost her home through one of the fraudulent transactions and additional information from the Arizona Attorney General's Office and the Arizona Department of Real Estate. The three agencies worked together to trace Ms. Cervantes' activities, resulting in the administrative action against First Financial and the ultimate indictment and conviction of Ms. Cervantes, the real estate agents, and a loan officer.

In a separate administrative action brought by DFI, Ms. Cervantes, who is now a convicted felon, was removed from the escrow industry and the Superintendent's final order prohibits her from working in the escrow business. By law, as a result of the final order against Ms. Cervantes, she may not be employed by any financial institution or enterprise regulated by DFI, without the Superintendent's prior approval.

The Superintendent has the statutory authority to remove, suspend or prohibit a person from participating in the business of a regulated entity if found to be unfit, dishonest or convicted a crime involving fraud and deceit. "The statute is designed to weed out the worst actors and help our licensees police themselves through notice of the prior bad conduct," says Superintendent Rotellini. "We expect our licensees to operate their businesses with sufficient quality controls to discourage and discover fraudulent conduct. We also know that it is difficult to detect fraud amongst employees and so we are doing everything we can to hold the individuals accountable as well." Additional removal actions are planned and DFI is focusing more of its resources on the examination and investigation of mortgage fraud.

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